



Sanitized Copy Approved for
Release 2011/01/07 : 

CIA-RDP85T00875R00150003

Sanitized Copy Approved for
Release 2011/01/07 :

CIA-RDP85T00875R00150003



Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Romania's Flirtation with Reform

**DSB FILE COPY
RETURN TO 1E-61**

DOCUMENT SERVICES BRANCH
FILE COPY
DO NOT DESTROY

Secret

№ 690

**30 April 1971
No. 0368/71A**

Page Denied

CONFIDENTIAL**ROMANIA'S FLIRTATION WITH REFORM**

On 8 May the Romanian Communist Party will celebrate its fiftieth anniversary. On this festive occasion the party will ballyhoo its own achievements, including the seizure of power in 1944. More importantly, the present youthful party leadership under General Secretary Nicolae Ceausescu must give a good account of its six-year tenure. In preparation for this milestone in the party's history, as well as for launching a new five-year plan, Ceausescu and his coterie have engaged since the first of the year in a whirlwind of speech-making, factory-touring, and hand-shaking. Not since the fall of 1968, when he ardently wooed the populace to gain support for his defiance of Moscow in condemning the Warsaw Pact's intervention in Czechoslovakia, has Ceausescu politicked domestically with such intensity.

Gomulka's fall from power during the upheavals in Poland last December has clearly influenced the tenor of Ceausescu's recent campaign. This is particularly evident in his emphasis on reinforcing the party's direct contact with the masses. The specter of the Polish disturbances took on added significance in Bucharest because Romania's own economic problems have increased greatly over the last few years. Nonetheless, it is obvious that Polish events have not altered Ceausescu's conviction of the correctness of his own style of Communism. He may be extremely pragmatic in foreign policy, but he is essentially conservative in domestic matters.

Ceausescu has pegged Romania's continued political independence to the building of a strong and viable economy. With this in mind, he unveiled before a national party conference in late 1967 a set of cautious proposals for "improving and perfecting" economic management and planning. Only a few of these proposals have been effected, and most problems remain undiminished. Although Ceausescu obviously has become increasingly frustrated with the mediocre performance of the economy, he is apparently not willing to deviate sharply from the original plan of 1967. Seemingly he has given no serious consideration to going the route of Yugoslavia or Hungary by allowing pricing and other market forces some play in the economy.

For now, Ceausescu and his technocratic colleagues will continue to rely mainly on agitation and propaganda to try to get the economy moving again. The upcoming anniversary celebrations and another national party conference slated for sometime this summer will provide appropriate forums. At this point, the possibility that the regime will embark on a truly liberal economic program seems remote indeed.

CONFIDENTIAL

CONFIDENTIAL

The 1967 Program and Its Results

In December 1967, Nicolae Ceausescu had been at the head of the party for about a year and a half, long enough to make his personal presence felt, but not long enough to establish absolute political control. Ceausescu still shared the top leadership with several old cronies of the former party leader, Gheorghe Gheorghiu-Dej. One of his motives in calling a national party conference at that time was to put his own stamp on Communist party policies and to differentiate his rule clearly from that of his former boss. Some of the changes he proposed at the conference were designed to allow him to take complete control of the patronage system of the party, to remove from positions of influence those who might oppose him, and to replace them with younger and more able men who would be obligated to him.

Moreover, at that time, the trend in Eastern Europe was toward economic and political reform. Although the Romanian leadership was careful not to call its program a reform, it was certainly cognizant of the need to appear more modern and flexible, particularly to its Western creditors and other potential non-Communist sources of advanced equipment and technology. Nevertheless, Romanian planners and leaders remained true to their orthodox and conservative outlook. Ceausescu, in his speech to the 1967 conference, carefully emphasized the primacy of the party, and indicated that his tinkering with the economic levers in Romania would remain within established socialist bounds. Implicitly rejecting unorthodox innovations already in effect in Yugoslavia and advocated by some economists in Czechoslovakia, he stated flatly that "we cannot support theories to the effect that a socialist economy should regulate itself in a spontaneous manner on the basis...of free market" mechanisms.

Ceausescu's 1967 program called for "perfecting and improving" the economy and the administration of the country. Its main theme was criticism of excessive bureaucracy and cen-

tralism. Citing the increasing need for modern technology, Ceausescu demanded that certain aspects of "immobility" be eliminated from the bureaucracy, which he scored for its "subjectivism and stubbornness" and for hampering "creative initiative." All this indicated that Ceausescu anticipated resistance to many of his proposed changes from entrenched bureaucrats and probably even from the workers themselves. He has returned to this theme often in recent months, indicating that this resistance has not yet been eradicated.

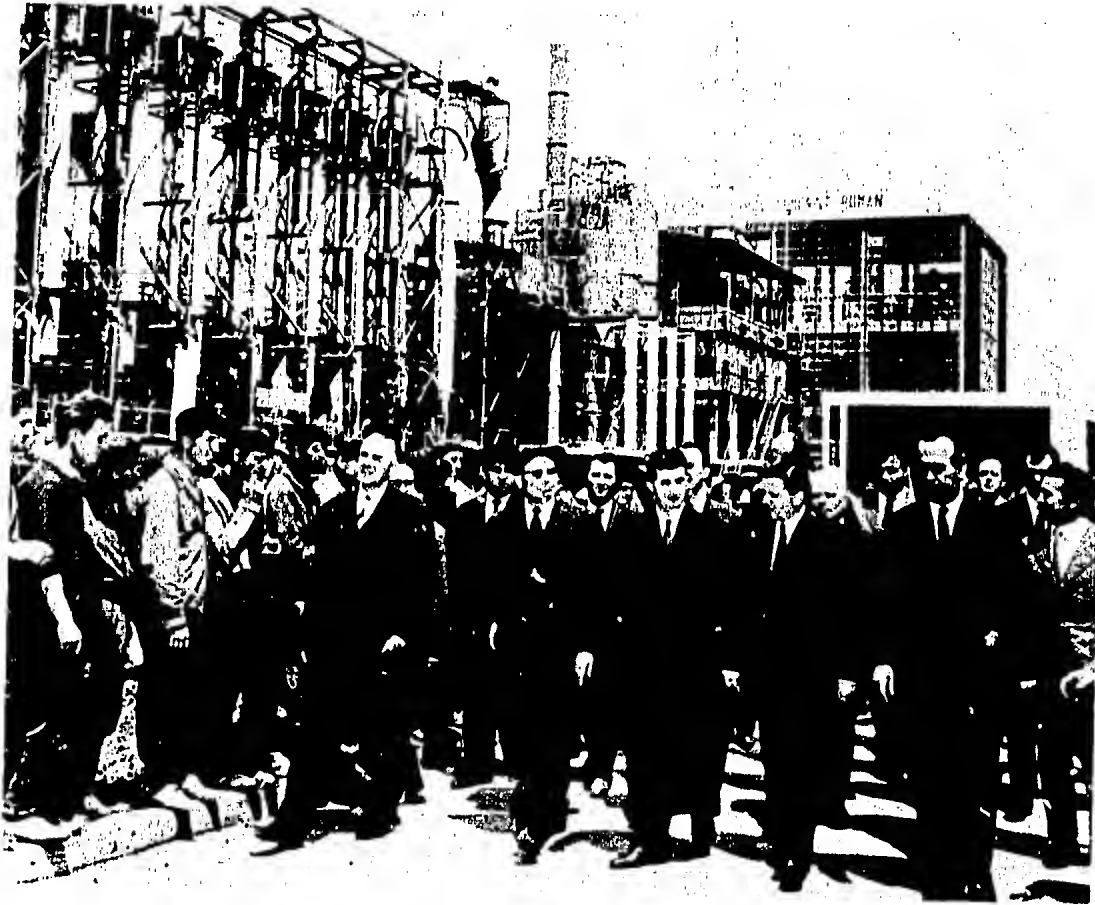
Although Ceausescu in 1967 cited some critical economic problems in Romania, he stressed that he was in no hurry to make drastic changes, indicating that he accepted the prevailing arguments that Romania's economy, with one of the highest growth rates in the world, was relatively strong and flourishing. Instead, he criticized wastefulness, inefficiency, inflexibility, and the lack of creativity, faults he said could be corrected over time through gradual and experimental changes. He was particularly at pains to assure his listeners that the need for change did not mean the failure of previous methods nor of socialist development to date. Then, as now, Ceausescu implicitly recognized the existence of dissatisfaction over shortages of consumer goods. Nevertheless, he has been unwavering about the party's long-standing commitment to rapid industrialization, with its incumbent hardships and deprivations for the people. This past winter, for instance, larger quantities of food and other goods appeared on the markets—apparently as a stopgap measure in the wake of the Polish disturbances—but the preliminary forecast of the new five-year plan included no provision for major increases in consumer items. Instead, it continued to stress investment as well as restricted consumption for the near future.

Territorial Reorganization

As part of his 1967 plan to cut down excessive bureaucracy, Ceausescu proposed a drastic reorganization of the country's administrative-territorial divisions. His redistricting proposal was

CONFIDENTIAL

CONFIDENTIAL



Ceausescu tours Pitesti chemical works.

enacted in 1968, and the former 17 regions (*regiunes*) plus the Autonomous Magyar Region were replaced by 39 counties (*judets*), a system roughly resembling the prewar organization. The former subdivisions of the *regiunes* were abolished, thus cutting out one layer of bureaucracy in both the party and government between the national and the local level. The new county system has nationalistic overtones because it replaced the system that had been copied from the Soviet model, but it was drawn so as to break up former concentrations of minorities. Earlier this year Ceausescu indicated satisfaction with the way it has worked out, and it can be assumed that the *judets* are a permanent feature of Romanian life.

Industrial Centrals

At the heart of Ceausescu's 1967 plan was the establishment of industrial centrals, which he defined as "powerful industrial complexes" comprising enterprises in related fields, or enterprises cooperating in the production of a finished product. The enterprise is the basic unit of production in the Romanian Communist economic system. The purposes of the industrial centrals, which Ceausescu promised would have "wide autonomy," were to bring management closer to the production process; to reduce highly centralized control from Bucharest; and to allow greater specialization, increased concentration of assets, and better access to research facilities. The

CONFIDENTIAL

CONFIDENTIAL**CEAUSESCU'S ACTIVITIES IN EARLY 1971: A BROAD APPEAL TO WORKERS, PEASANTS, INTELLECTUALS, YOUTH, MINORITIES AND THE PARTY.**

- January 4-5 Ceausescu and other national party leaders tour Brasov, Fagaras, and Sibiu counties.
- 12 Ceausescu and other leaders visit Prahova county.
- 14 Ceausescu goes to Predeal to discuss local problems.
- 16 Employees' general meetings at industrial, transportation, and construction sites begin throughout the country.
- 21 Ceausescu visits industrial plants in Bucharest.
- 25 State Council meeting chaired by Ceausescu.
- 29 Ceausescu visits additional plants in Bucharest.
- 30 Ceausescu begins working visit to Ialomita county.
- February 1-2 Ceausescu tours and speaks in Ialomita on agriculture.
- 3-5 Ceausescu speaks to national conference on foreign trade.
- 10 Ceausescu addresses working meeting of literary and cultural artists.
- 10-11 Romanian Communist Party holds central committee plenum; Ceausescu speaks at closing session.
- 13 Plenum of National Union of Agricultural Production Cooperatives held. Executive Bureau of national council of Socialist Unity Front meets.
- 15 Ceausescu attends general meeting of Bucharest machine-building plant.
- 18-22 Ceausescu speaks at Ninth Congress of the Union of Communist Youth (UTC).
- 19 German nationality council meets in Bucharest to hear Ceausescu's address.
- 20 Ceausescu *et al* visits food industry centers in Bucharest.
- 22-23 Ceausescu speaks at national session of representatives of industrial centrals held in Bucharest.
- 24-25 Ceausescu addresses national conference of workers from the state agriculture enterprises.
- March 4-5 Ceausescu speaks at conference of Architects Union.
- 5 Ceausescu speaks to working meeting of film workers. Party leaders from Bucharest attend 9 county party and workers meetings.
- 8 Ceausescu present at meeting to form National Council of Romanian Radio and Television.
- 9 German nationality plenary meeting held in Alba Iulia.
- 10 Ceausescu speaks to meeting of Bucharest party and industrial cadres.
- 12 Ceausescu speaks to plenum of Magyar nationality council.
- 16 Ceausescu presides at State Council meeting.
- 17-18 Ceausescu attends Grand National Assembly session.
- 19 Ceausescu conducts unannounced tour of Bucharest market district. Romanian Marketing Association founded.
- 23-27 Trade union congress held; Ceausescu speaks to opening session.

CONFIDENTIAL

CONFIDENTIAL

industrial centrals were also to become more directly involved in marketing their own products, both at home and abroad. This was intended as a means of cutting the powers and prerogatives of the government ministries that up until then had exclusive jurisdiction over enterprises.

On 22 February of this year Ceausescu addressed a meeting in Bucharest of representatives from the approximately 200 industrial centrals, the second such meeting since their establishment. He expressed satisfaction with the way the original concept had worked out in practice during the first year or so, indicating that the industrial centrals probably also will become a permanent feature of the Romanian system. At the same time, he was critical of those who for one reason or another apparently resist the new order of things. Not all centrals and ministries, he said, have understood that the centrals are to be primarily organs of production and not just coordinators. Ceausescu also attacked those centrals that in three years have become "mini-ministries" by creating a "new bureaucracy" drawn from the technical cadres of the enterprises, thus pulling even more trained personnel out of direct production—just the opposite of what was intended.

The ministries also received their share of Ceausescu's displeasure. As part of the new system, he had demanded that the top-heavy bureaucracy in Bucharest be trimmed, and that technicians and specialists be sent to the counties, where, as he pointed out, 85 percent of the country's production takes place. In practice, Ceausescu charged, the ministers have finagled things so that in the end, "all people remain in Bucharest." Not only have the ministries resisted giving up their staffs, the party leader implied, but they have been reluctant to relinquish their powers and responsibilities.

Turning to the duties of the industrial centrals, Ceausescu made the broad statement that the central "must be responsible for the entire economic-financial activity of the units under its jurisdiction" and act as the link between its pro-

duction units, the state treasury, and the bank. All profits, however, must be turned into the state, and just how much discretion the central will have to reinvest the funds remains unclear. On the one hand, Ceausescu said that the central has the right to approve investments up to 30 million lei, but he quickly qualified this statement by saying that it must first draw up an investment plan and get it approved.

The enterprise's freedom of maneuver is limited by the provision requiring that, at the local level, the party secretary must attend the meetings of the enterprise management board. He is made responsible to the higher party organs for the decisions taken, thus exercising a strong restraint on management.

Ceausescu has sought to clarify the relationship of the centrals to the ministries, but the parameters of their respective powers are fuzzy. Ceausescu, without being specific, told the recent meeting of industrial centrals that the ministries "will have to abandon some practices of the past—when they were involved in solving all problems...." Earlier, in his speech to the central committee plenum in mid-February, Ceausescu prohibited the ministries and other central bodies from issuing instructions except ones of a technical nature. In a further effort to cut down on red tape, he said only full-fledged ministers may issue orders to lower economic organs.

Foreign Trade Reform

In early February 1971, Ceausescu called an unusual meeting bringing together top government and party leaders, members of the central committee, heads of Romanian diplomatic missions abroad, and certain heads of economic enterprises. In his speech to this conference, he called for significant changes in the foreign trade organizations and in their methods of operation. All of these changes are similar to the ones called for in the draft directives of 1967.

Making the obligatory reassurances to Romania's CEMA partners, Ceausescu noted in his

CONFIDENTIAL

CONFIDENTIAL

speech that the socialist countries would continue to account for over 50 percent of Romania's total trade under the new five-year plan. From 1966 to 1970 the socialist countries represented 54.4 percent of Romania's total trade, but this figure included trade with Communist China, and in 1969 Romania's trade with CEMA countries fell slightly below the 50 percent mark. Romania's trade with Communist China will continue to grow under annual trade agreements, but undoubtedly not enough to affect Bucharest's dependency on trade with the Soviet bloc. There are obvious political arguments for maintaining trade with the Soviet bloc at least on a par with Western trade, but Romania certainly would prefer to continue to increase the percentage of its trade with the West, which has the sophisticated equipment and technology it needs. The economics of the situation, however, make such a policy difficult. Bucharest obtains raw materials from the bloc countries more cheaply than it could elsewhere, and in turn the latter provide a certain market for goods that in terms of quality are not competitive in the West.

Romania's increased trade with nonsocialist countries has caused serious problems for the economy, and Ceausescu directed most of his comments toward this sector. The most nagging problem is the serious trade deficit, which for 1969 amounted to \$107 million, most of it accounted for by imports on credit from the West. Romania's outstanding debts to industrialized non-Communist countries at the end of 1969 totaled \$0.8 billion. Ceausescu explained that in the last five years imports had grown at an annual rate of 12.6 percent, while exports had increased only 11 percent annually. The 1971-75 foreign trade plan aims at reducing the deficit by calling for a 55 percent increase over the 1970 level of total trade and for an 82-percent increase in exports.

To accomplish this, Ceausescu again put the stress on reducing excessive centralism. Foreign trade has been the exclusive monopoly of enterprises under the Ministry of Foreign Trade. The

basics of his solution had been outlined in the 1967 draft directives, but they apparently are only now being put into effect. Under a foreign trade law just passed, each enterprise and industrial central is to be "directly answerable for the sale of production and consequently of exports." The industrial centrals are to develop direct contacts with the domestic and foreign buyers of their goods. The centrals are to set up their own export sections to study the market, and commercial agents from the centrals will go abroad to engage in selling.

If one refers to Ceausescu's speech in February, however, application of the new foreign trade law will be restricted. Thus, for example, the Ministry of Foreign Trade will retain broad powers of guidance, veto, and planning. In the future, permission from the central planning authorities for an enterprise or a central to import products will be contingent on demonstrating its ability to pay for them with earnings from its exports. This stipulation obviously is aimed at trying to balance imports with exports, but if rigorously enforced, it would put severe strains on what is still a struggling economy that requires more advanced Western technology than it can pay for. Moreover, it would not encourage the strict specialization of production Ceausescu has insisted on. Those units that want to import would also have to export, but those sectors that ordinarily export are not necessarily the ones that require imports; thus such a rule might have the effect of perpetuating existing export patterns.

In 1967, the party leader hinted at another measure for improving the quality of production. At that time he said that the future success of enterprises will be judged not only on quantitative indices, "but to a greater extent than at present" on profitability. Since last December he has put this in stronger terms: "Only when the countervalue of the products has been cashed in—in Romanian lei or foreign currency—is the production cycle concluded, and only after all this has been completed can one consider that the enterprise and its management and staff have

CONFIDENTIAL

CONFIDENTIAL

fulfilled their planned tasks...." Should this dictum, which he reiterated at the foreign trade conference, be strictly applied during the implementation of the new five-year plan, it could have a profound impact on many sectors of the economy. It would reveal, for one thing, those producing units that are not paying their way. Ceausescu in the past has criticized the theory that socialism can afford to retain unprofitable units, but the leadership has not shown itself willing to do anything about the problem. The regime has instituted an experimental wage system for the trading network begun in February, by which wages will fluctuate on a percentage basis of planned profit.

Trade Unions

Ceausescu has tacitly recognized that the success of all economic plans ultimately depends on the motivation of the workers, and he has made a concerted bid through the medium of the trade unions for their cooperation in fulfilling the high expectations of the current five-year plan. His speech to a central committee plenum on 11 February as well as his address to the Trade Union Congress on 23 March concentrated on the need to reinvigorate and "democratize" the trade unions. These speeches are the best indication that Romania's leaders wish to ensure that there will be no outbursts similar to those in Poland last December.

The essence of Ceausescu's message was that the trade unions have been too much under the party's thumb and have failed to show any initiative in pushing for higher production or in protecting the workers' rights and welfare. He argued that the trade unions should no longer be merely a "transmission belt," because the party does not need such a device to communicate with the working people. He ordered the trade unions to do away with "old practices"; to give priority to production problems; to organize themselves autonomously and not merely as copies of the party organization; to take a more active role in representing the workers at the Council of Min-

isters; and to cooperate more closely with the Communist Youth Union and the media in educating the workers in "socialist behavior."

As one remedial action, Ceausescu recommended that working people directly active in production should participate in the trade union's directing bodies, so that the latter are not based entirely on salaried trade union bureaucrats. On 27 March the trade union central council duly elected seven deputy chairmen to its bureau, five of whom will remain active in production work.



Ceausescu talks with worker in Cluj.

The new direction outlined by Ceausescu for the trade unions may give some Romanian workers more hope of making their grievances known, but the general secretary punctuated his speeches with enough qualifications to make them skeptical. He referred several times to the Communist Party's leading role in society and argued that "it is natural that our party manages all social bodies, including the trade union." The new statutes for all levels of trade union organizations, from the local to the national level, reflect Ceausescu's

CONFIDENTIAL

somewhat contradictory views. The statutes were approved by the congress, and a new trade union law has been drafted, which still must receive formal approval by the Grand National Assembly.

The direction of future reform in the trade unions may depend more on the leadership of their new boss, 45-year-old Virgil Trofin, than on the formal statutes. Trofin's rise in the party was rapid; he was widely regarded as one of Ceausescu's most favored protégés, and his former position as party secretary in charge of cadres gave him potentially the second most powerful post in the party. In August 1969, however, he lost his responsibility for the party's internal affairs, and was named secretary in charge of agriculture amidst reports that Ceausescu was displeased with his display of ambition. He was dropped from the secretariat in February and made head of the trade unions, a change that may have been a further demotion. Still, Trofin is young and his ability undisputed, and he retains seats on the party's Permanent Presidium (politburo) and its Executive Committee. Although he by no means has a reputation as a liberal, he could provide the forceful direction needed to remold the trade unions in the workers' interest. There will be limits, however, on how far Trofin can go in this direction; presumably Ceausescu will not allow him to build a political base among the trade unions.

Agriculture

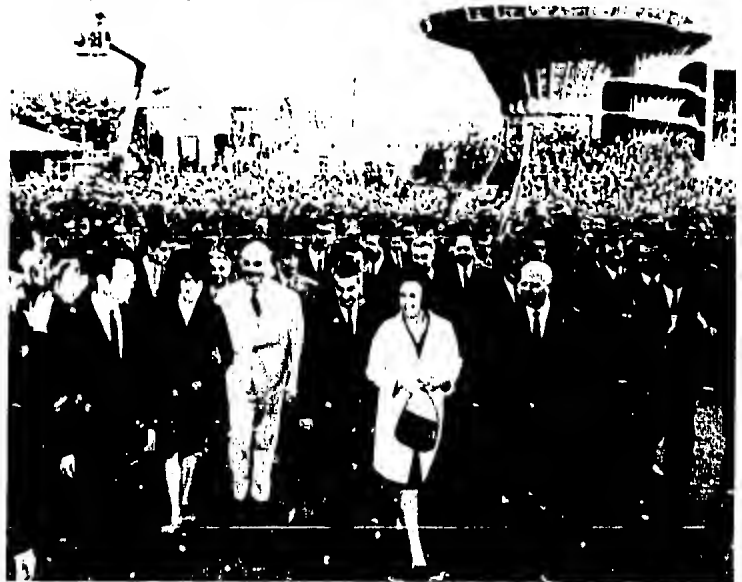
Agriculture is still the stepchild of the Romanian economy, and its performance of the past few years has begun to alarm the leadership. Agriculture has been severely neglected in terms of investment when compared with the industrial sector, but it accounts for a disproportionately large share of exports, especially to hard-currency countries. Foodstuffs and lumber products have been extremely important in earning hard currency for Romania, but the share of these products in total exports to the West has not increased since the early 1960s. The floods in the spring of 1970 further aggravated the serious problems of agriculture, which stem mainly from

inefficiency, out-of-date methods, and lack of incentive on the part of the collectivized peasants.

Ceausescu, nevertheless, apparently has no plans to make radical changes in the backward agricultural cooperatives, although there has been a reorganization to link them more closely with the more technologically advanced state agricultural enterprises. To increase initiative at the local level, the party leadership in February abolished the positions of secretaries in charge of agriculture at the central committee and county committee levels. This suggests that party interference in daily agriculture decisions will be minimized, in contrast with its active position in the industrial sector. The party is counting on a program of increased investment over the next five years (double that of the previous period), and on intensified irrigation and fertilization to bring agriculture out of the doldrums.

The View from the Bottom

The workers and peasants have probably skeptically received Ceausescu's frenetic



Inhabitants of Bucharest city cheer the party General Secretary and his wife (center) at a local celebration.

CONFIDENTIAL



General Secretary Ceausescu, his wife Elena (center), and Premier Ion Gheorghe Maurer (right) on a typical outing, among young people at a harvest festival.

speechmaking in the last few months. Although he has given assurances that the party is in constant touch and consultation with them, he has in essence promised very little. The new five-year plan reportedly calls for a 20 percent increase in wages—about 4 percent yearly—but makes no commitment that consumer prices will not also be raised, just as they have been in the past. For the wage earner, the continued stress on industrialization means scant hope for a better standard of living.

As for the workers having a voice in production, there is yet no evidence that Ceausescu's frequent promises of an enhanced role for the workers' assemblies will be translated into reality. He has said that these assemblies will have the power to disavow decisions of the enterprise management boards, which could lead to replacing the managers. Such action would depend, however, on the active intervention of higher authorities. Thus the workers have no final veto, and the workers' assemblies in Romania are a long way from developing into the self-management system of Yugoslavia.

Partly for these reasons, there is deep-seated apathy and discontent among the working classes, but it is probably more pronounced in the countryside than in the cities. The Romanian leadership in the weeks following the Polish events made concessions only to the peasants. Prices were lowered on selected farm items, such as fertilizers and small farming equipment. The fact remains, however, that agricultural workers are still subject to essentially punitive measures for failing to work at capacity. In a speech to the national conference of workers from the state agricultural enterprises on 25 February, Ceausescu stated flatly that income payments will continue to be withheld if production goals are not met.

In a similar vein, there have been few new concessions to Romania's national minorities. Ceausescu addressed the national councils of the German and Hungarian minorities—on 19 February and 12 March, respectively—with a familiar theme. His message to the Germans bluntly foreclosed the possibility of any large-scale resettlement to West Germany. This suggests that the earlier repatriation agreement in the treaty between the Germans and the Poles had raised similar hopes among Romanian Germans. He made a similar signal to the Hungarians, but told both minorities that his long-standing pledge of equal treatment under the law was still in force. In addition, he promised more minority-language publications and schools. Nevertheless, there is strong evidence that both the Germans and the Hungarians still feel themselves discriminated against by the Romanian majority, particularly in wages, employment, and in advanced education.

The Controlled Media

Although the substance of Ceausescu's campaign has been mainly economic, the theme is political—that is, keeping the party in touch with the people. Thus, he did not ignore the literary and cultural workers and the mass media. On 10 February at a meeting of art and cultural workers,

CONFIDENTIAL

CONFIDENTIAL

Ceausescu came down on both sides of the key question of how much freedom of creativity and innovation should be allowed. He reiterated his commitment to the "liquidation of those shortcomings and the past negative state of affairs that fettered creative thinking"—a clear reference to the period of Stalinist literature and art. He also railed against "standardization and cliches, rigidity and dogmatism," but failed to acknowledge that these features of artistic life in a Communist society are traceable to the censors, who still wield a firm hand in Romania. At the same time, Ceausescu's clear preference for art that honors the "new man," and "socialist humanism" that serves the interests of the state and that fights against "retrograde" and "mystical" concepts (read Western influences) does not augur well for meaningful liberalization.

Perhaps most significant was Ceausescu's announcement of the creation of a national council of Romanian radio and television, to be headed by Dumitru Popescu. As party secretary in charge of culture and propaganda, Popescu has gained the reputation for being a dogmatist, and his appointment may forecast tightened control by the party.

The Party

Although Ceausescu has substantially curbed the arbitrary powers of the secret police, the Romanian people are still subject to close control by omnipresent party, government and security organs. Ceausescu has also revealed and denounced certain "illegal" proceedings of the former regime, in an effort to divest his own rule of the taint of terror. Under the new constitution, introduced in 1965, and several subsequent new legal codes, the Romanian people have been guaranteed certain minimal civil rights, but the reins are still held tightly by the government.

Concomitant with these measures, the party now plays a more direct role in all aspects of social life. To broaden its popular base and simultaneously to enhance its levers of control, the

party has swelled its ranks to number almost 10 percent of the population under Ceausescu's regime. He has sought to improve the party's image by making it more democratic internally and by introducing younger, technically educated leaders. A new law on the retraining of cadres requires all managers and workers in party and government to obtain periodic technical schooling. The overriding consideration in Ceausescu's attitude toward the party is to maintain it as the dominant force in society. All the changes in the economic system have been proposed and effected under the explicit assumption that the party will retain the first and final say.

Conclusions

Although the tenor of the Romanian leadership's prolific rhetoric in the past few months undoubtedly has been influenced by the Polish events, the latter did not precipitate them. The discussions, reportedly quite frank at times, have had the earmark of Ceausescu's style and have reflected a good deal of forethought on his part. Winter is the customary time for introspection among Romanian leaders; Ceausescu had the unprecedented experience of a private tour of the US last fall to temper his cogitations. His visits to factories, supermarkets, and farms in the US seem to have made him more painfully aware than ever of the backwardness of the Romanian economy.

Nonetheless, neither the Polish upheavals nor Ceausescu's personal view of the US system has shaken the Romanian leader's fundamental commitment to his own style of Communism. He may be extremely pragmatic in foreign policy, but he is essentially conservative and cautious in domestic matters. The alterations Ceausescu has proposed show that he still believes the Romanian economy can be made to work with only adjustments in personnel and organization (since December 1967, there have been at least a dozen major organizational changes in the Council of Ministers alone). He has apparently given no serious consideration to going the route of Yugoslavia or Hungary by allowing pricing and other market forces some play in the economy.

CONFIDENTIAL

CONFIDENTIAL

With some justification, the Romanians have cited the danger of Soviet intervention if they were to undertake a far-reaching economic liberalization. Events in Czechoslovakia in August 1968 bolstered their fears of Soviet reaction. Nonetheless, the USSR has demonstrated that its prime concern lies in maintaining undisputed control by Communist parties in Eastern Europe and in preventing the exertion of undue influence from the West. In the case of Romania the weight of evidence suggests that even without the limitations imposed by Moscow, the leadership is not inclined to make sweeping domestic changes.

The inherent contradiction in Ceausescu's desire to improve the economy without launching major reforms may explain why his bark seems worse than his bite—why some of his demands for change over the past three years have been virtually ignored. It is apparent, from Ceausescu's oft-repeated criticism, that many of the country's managers have simply sat on their hands or have used bureaucratic subterfuges for evading those central directives that threaten their accustomed

privileges. Ceausescu has succeeded in bringing the higher and middle levels of the party completely under his control, but at the lower levels there probably is still sentiment for the orthodox, cut-and-dried way of doing things. He has apparently had particular difficulty in overcoming the inertia of the government bureaucracy. It is still too early to say whether Ceausescu's renewed efforts will have a more profound impact than have previous bursts of energy, but his tactics at the national party conference this summer may provide clues to his next attempts to grapple with this problem.

The implementation of the cumulative program since 1967, particularly with regard to the trade unions, may present Ceausescu with problems of another sort. It is not inconceivable that, hearing continually of their supposed rights and powers, the workers may one day demand some of them in actuality. Their dissatisfaction with unfulfilled promises of a better life could become more intense, especially as economic contacts with the West become more commonplace.

* * *

25X1

Special Report

- 11 -

30 April 1971

CONFIDENTIAL